



Department of the Navy

Harnessing the Power: How IUID Improves Financial Accountability

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13 January 2011

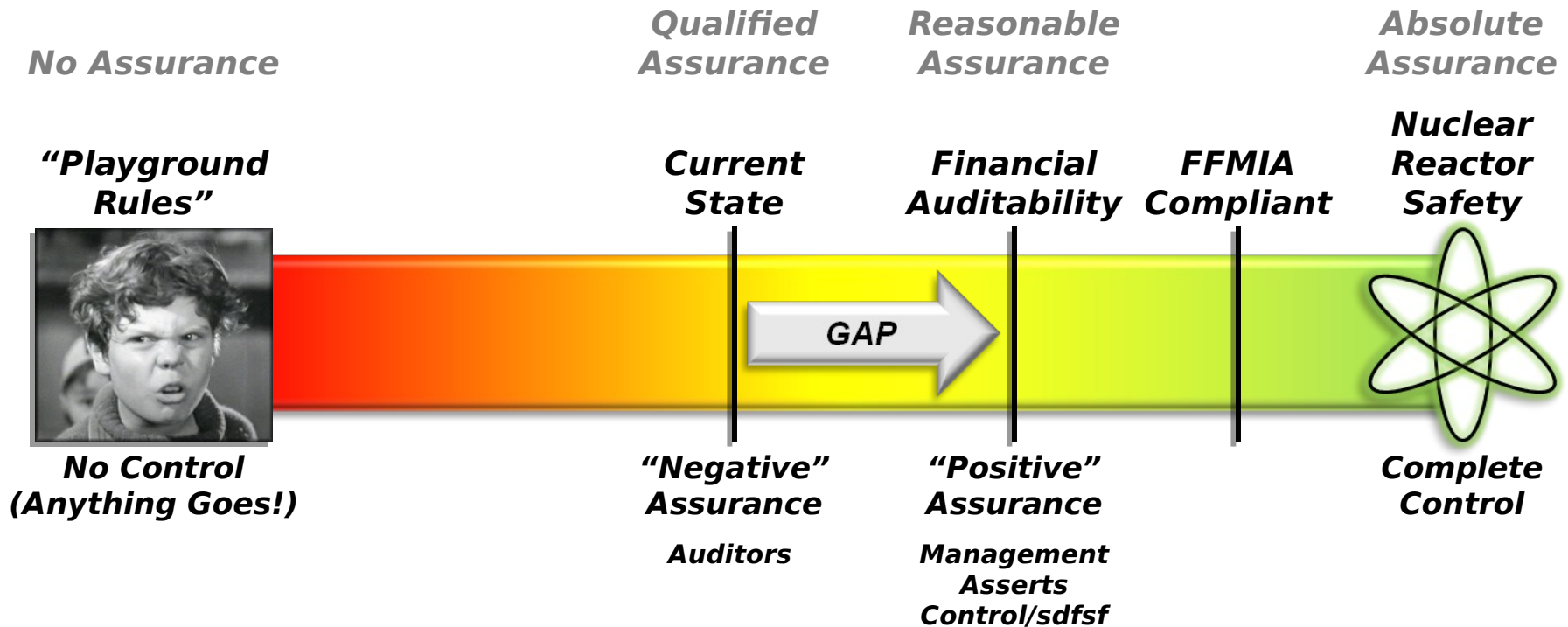


Outline

- **Improving Financial Management Information**
- **Financial Improvement and Audit Readiness (FIAR) Strategy and Challenges**
- **IUID, Financial Accountability and Auditability**
- **IUID Implementation Challenges**
- **Wrap-Up**

The Control Continuum

*Improving Financial Management Information
Means Changing the Way We Do Business...*



**Goal is to Improve the Quality of Information Used for
Decision Making**



The FIAR Strategy

- ***Congress requires DoD audit readiness by Sept 2017***
- ***Focus efforts on improving information most often used to manage in the DoD in order to:***
 - ***Build momentum to improve the processes and systems that underlie all financial information and statements***
 - ***Demonstrate the value of improving financial information***
 - ***Increase DoD-wide buy-in and participation***
- ***Prioritize on budgetary and asset records first***
 - ***All transactions go through the budget execution lifecycle***
 - ***Asset counts and location first priority***
 - ***Valuation is secondary; a cost-benefit BCA under development***
 - ***Clean audits will be a byproduct of improved processes***

***Focus First on Information Used to Manage in Order to
Build Momentum and Demonstrate Value***



Comptroller as a Change Agent

Context:

- **DoD Financial Management health and capabilities are a reflection of the business environment and the key supporting elements:**
 - People
 - Processes
 - Systems

*Need to Strengthen
Each Area - Working
Together Towards
Specific Outcomes*

Vision:

- **The Comptroller serves as a catalyst in strengthening key elements of our business... both inside and outside of the Financial Management “Stovepipe.” We need to recapitalize our “Business Infrastructure.”**



FIAR: Why Is This Important?

- **Comply with Laws:**

Laws require financial statement audits

- **Verify Correct Allocation of Funds:**

Verify that all resources are allocated to approved mission priorities in a legal manner

- **Improve Mission Support:**

Provide better information for timely, informed decision-making

- **Increase Public Trust:**

Reassure the public and Congress that DoD is a good steward

Clean financial audits provide management assurance that financial reporting is reasonably free from misstatement, accurate and can be relied up for the purposes it is used.



Challenges

- **Current business environment makes auditability hard to achieve**
 - DoD systems are not integrated
 - Systems do not collect data at transaction level
 - Business processes don't lead to auditability
- **Many diverse functional organizations must work together**
- **We don't always understand financial audit requirements**
- **Earlier focus was on information of limited value to management and was not supported throughout the Department**

***New Approach Established in August 2009:
Focus on Improving Information We Use***



“It will take longer than we thought to become audit-ready.”



IUID and Financial Accountability



IUID, Financial Accountability & Auditability

IUID Provides Greater Control Over Navy Assets

- Applies to both Acquisition and Management
- Control over Property in Possession of Contractors (PIPC) by providing a combination of unique identifiers and other data (e.g. location)
- Assists in Asset Reconciliation between services operating on joint bases by preventing double counting or not being counted
- Promotes asset accountability

IUID Allows for Valuation of Navy Assets

- IUID ties transaction-based valuation to a particular asset by providing a unique asset identifier to match with invoices/payments; policy requires the submission of value upon acquisition
- Useful in identifying and associating the actual cost of an asset
- Provides a capability that does not currently exist

IUID Helps to Maintain Financial Documentation

- Ability to demonstrate to auditors through specific transactions by matching a unique asset identifier with invoices/payments (Obligations, Delivered Orders, Receipt and Acceptance, Disbursement of Funds, Location of Assets)

Asset Control

Asset Valuation

Complete Audit Trail

Financial Audit

IUID's Role in a Financial Audit

- Demonstrate compliance with Federal rules and regulations
- Provides for management assurance that the financial information is more accurate and reliable for decision making
- Demonstrates more effective stewardship of taxpayer dollars



IUID: Improves Financial Accountability

- **End-to-End (E2E) process reengineering supporting IUID capabilities in integrated legacy and target environments should result in well controlled, auditable business processes, providing for:**
 - 1. Standardization** - reduces process variation and costs; enables enforcement of repeatable capabilities; improved workforce management.
 - 2. Timely and accurate information** - feeder systems and interfaces are reduced.
 - 3. Improved business and financial reporting** - efficiency increased as rework and manual intervention are reduced.
 - 4. Affordable and sustainable audits** - extensive reconciliations and other heroic efforts not required; stronger internal controls.

Modern, Compliant, Integrated Systems are a Critical Piece of the Financial Improvement Effort



Challenges to IUID Implementation

The FM community acknowledges IUID challenges and recognizes that implementation will not happen over night, it will take time and effort

IUID Challenges

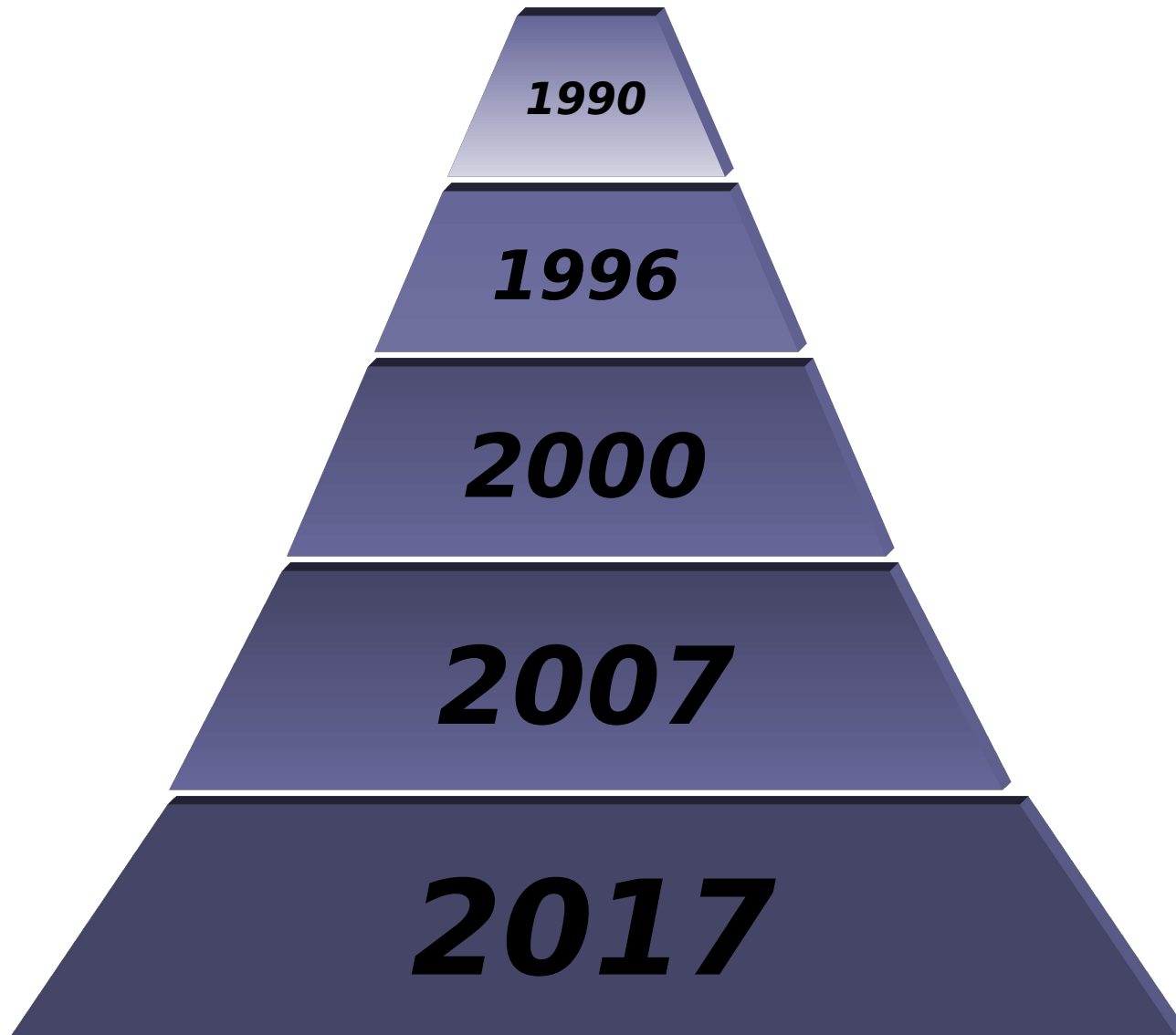
Prioritizing the IUID effort; competing needs and costs of compliance

Conversion challenges for legacy system environments (e.g. there is no current plan to interface the IUID Registry with Navy ERP, contracts before IUID existed, etc.)

IUID clause not being included in all contracts, which affects data flow through Wide Area Work Flow (WAWF) and impacts efforts to improve timely and accurate receipt



What is the Significance of These Dates?





Wrap-Up

- **As a user of data outputs of the processes that IUID supports and improves, IUID is an integral component of our financial accountability strategy**
 - FM recognizes IUID implementation challenges
- **DoD's financial management health and capabilities are a reflection of the business environment and key supporting elements (i.e., people, processes, systems)**
 - Enterprise-wide changes in our business will be required to meet stakeholder expectations
 - Better integrated; more capable systems
 - Standardized business processes which are periodically tested and measured against efficiency, effectiveness and compliance criteria

Achieving audit readiness requires an integrated effort between Acquisition, Logistics, and Financial



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